



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Performance Audit*

*Family Housing Programs  
Michigan State Housing Development Authority  
Department of Treasury*

Report Number:  
641-0205-07

Released:  
January 2011

*The Michigan State Housing Development Authority (MSHDA) was established by Act 346, P.A. 1966. During our audit, MSHDA was an autonomous unit within the Department of Energy, Labor & Economic Growth (DELEG), except for budgeting, procurement, and related functions. Effective May 30, 2010, Executive Order No. 2010-02 transferred MSHDA intact from DELEG to the Department of Treasury. MSHDA offers financial and technical assistance through public and private partnerships to create and preserve affordable housing for low and moderate income Michigan residents.*

**Audit Objective:**

To assess the effectiveness of MSHDA's efforts in monitoring compliance with program requirements for multifamily housing developments.

**Audit Conclusion:**

We concluded that MSHDA's efforts in monitoring compliance with program requirements for multifamily housing developments were moderately effective. We noted two material conditions (Findings 1 and 2) and two reportable conditions (Findings 3 and 4).

**Material Conditions:**

MSHDA's process for allocation of federal Low Income Housing Tax Credits did not give preference to projects serving the lowest income tenants and projects obligated to serving qualified tenants for the longest period of time (Finding 1).

MSHDA had not established and exercised effective criminal history screening practices for housing assistance programs (Finding 2).

**Reportable Conditions:**

MSHDA did not maintain complete tenant data for MSHDA-financed and tax credit financed housing developments (Finding 3).

MSHDA had not identified and updated on a timely basis its records of deceased tenants at federal project-based housing developments. Also, MSHDA had not recovered on a timely basis subsidy overpayments made on behalf of deceased tenants. (Finding 4)

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**Audit Objective:**

To assess the effectiveness of MSHDA's administration of the Housing Choice Voucher (HCV) Program.

**Audit Conclusion:**

We concluded that MSHDA was effective in its administration of the HCV Program. However, we noted one material condition which is reported in Finding 2 under our first audit objective.

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**Audit Objective:**

To assess the efficiency of utilizing independent housing voucher agents to oversee the HCV Program.

**Audit Conclusion:**

We concluded that it was efficient to utilize independent housing voucher agents to oversee the HCV Program. Our audit report does not include any reportable conditions related to this objective.

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**Audit Objective:**

To analyze selected financial information regarding MSHDA and its programs.

**Audit Conclusion:**

We analyzed selected financial information regarding MSHDA and its programs. We noted two material conditions (Findings 5 and 6) and four reportable conditions (Findings 7 through 10).

**Material Conditions:**

Former members of MSHDA's senior management, while employees of MSHDA, acted as officers and directors of the Michigan Magnet Fund (MMF) and represented MSHDA's interests in MMF activities without the knowledge and consent of the MSHDA Board (Finding 5).

MSHDA was not effective in precluding conflicts of interest or restricting postemployment activities of its employees (Finding 6).

**Reportable Conditions:**

MSHDA needs to seek an Attorney General Opinion regarding MSHDA's authority to use Housing Development Fund repayable grants to create and support the Great Lakes Capital Fund (Finding 7).

MSHDA's management circumvented Michigan Civil Service Commission Rules and the MSHDA Board's authorization by using a Homeless Initiatives Grant to procure a personal services contract from an employee of a grantee (Finding 8).

MSHDA had not established and exercised effective controls over its grants activities (Finding 9).

MSHDA had not established an effective control environment over the procurement of an integrated accounting and management information system (Finding 10).

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**Agency Response:**

Our report includes 10 findings and 11 corresponding recommendations. MSHDA's preliminary responses indicated that it disagrees with 4 recommendations, partially agrees with 5 recommendations, and agrees with 2 recommendations and has complied or will comply with them.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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